

FINANCIAL RATIOS

1) Profit Margin ratios

Gross Profit margin

$$= (\text{gross profit} / \text{net sales}) \times 100$$

Operating margin

$$= (\text{operating income} / \text{net sales}) \times 100$$

Net profit margin

$$= (\text{NPAT} / \text{net sales}) \times 100$$

2) Rate of return ratios

Return on assets (ROA)

$$= (\text{net income} / \text{total assets}) \times 100$$

Return on equity (ROE)

$$= (\text{net income} / \text{shareholder equity}) \times 100$$

3) Liquidity ratios

Current ratio

$$= \text{Current assets} / \text{current liabilities}$$

Quick ratio

$$= (\text{current assets} - \text{inventory}) / \text{current liabilities}$$

4) Solvency ratios

Total debt ratio

$$= (\text{total debt} / \text{total assets}) \times 100$$

Debt to equity ratio (D/E)

$$= (\text{total debt} / \text{total equity}) \times 100$$

Interest coverage ratio (times interest earned ratio)

$$= \text{PBIT} / \text{Interest earned}$$

5) Turnover speed ratio

Total assets turnover ratio

$$= \text{sales} / \text{total assets}$$

Fixed assets turnover ratio

= sales / fixed assets

Current assets turnover ratio

= sales / current assets

Inventory turnover ratio

= cost of goods sold / inventory

Day's sales in inventory ratio

= Inventory x (365 / cost of goods sold)

Receivables turnover ratio

= Sales / Accounts receivables

Day's sales in receivables

= Accounts receivables x (365 / Credit sales)

Payable turnover ratio

= Credit purchases / Accounts payable

Day's Sales in Payables ratio

= Accounts Payable x (365 / Credit purchases)

6) Price ratios

Price-Book (P / B):

= Share Price / BVPS

Price-Earnings (P / E):

= Share Price / EPS

Price-Cash Flow (P / CF):

= Share Price / CFPS

Price earnings to growth (PEG)

= price earnings of share / historical growth rate of share

7) Per Share ratios

Book Value per Share (BVPS):

= Shareholder Equity / Shares Outstanding

Earnings per Share (EPS):

= Net Income / Shares Outstanding

Cash Flow per Share (CFPS):

= Operating Cash Flow / Shares Outstanding